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INFO AMEMBASSY THE HAGUE

C O N F I D E N T I A L STATE 110487

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: MAY 14 MEETING OF AD HOC GROUP ON DATA ALLOCA-
TION, THE HAGUE

FOR: JAMES SHINN

1. AD HOC GROUP ON DATA AND ALLOCATION MEETING MAY 14 THE
HAGUE WILL CONSIDER: (1) METHOD GOVERNMENTS SHOULD USE IN
COMPLETING DATA QUESTIONNAIRE B; (2) THREE IAB PAPERS
ON TRIGGER CALCULATIONS, NON-EMERGENCY DATA AND COMMENTS
ON MAY 17 SECRETARIAT DRAFT OF EMERGENCY HANDBOOK.

2. QUESTIONNAIRE B

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IT IS IEA SECRETARIAT VIEW THAT EACH IEA GOVERNMENT SHOULD REPORT SEPARATE LINE ENTRY FOR EACH COMPANY SUBJECT TO ITS JURISDICTION, INCLUDING AFFILIATES OF FOREIGN OIL COMPANIES. INDUSTRY ADVISORY BOARD (IAB) DECIDED AFTER EXTENSIVE DISCUSSION ON MAY 7-8 TO RECOMMEND ONLY THREE QUESTIONNAIRE B ENTRIES: (1) FOR PARENT COMPANIES, (2) AFFILIATES OF FOREIGN PARENT COMPANIES, AND (3) A TOTAL OF ONE AND TWO.

3. HOPKINS INDICATED SECRETARIAT AGREEMENT TO THIS APPROACH PROVIDED, IEA, THROUGH PARTICIPATING COUNTRIES, COULD CLARIFY ANOMOLIES, IF ANY, RESULTING OM AGGREGATION.

4. U.S. POSITION:

WHILE US GENERALLY SUPPORTS IAB RECOMMENDATIONS, US CAN NOT PROVIDE DISAGGERATED DATA EVEN TO THE EXTENT OF THE THREE LINE ENTRIES PROPOSED ABOVE. USG WILL CONTINUE TO PROVIDE SINGLE TOTAL ENTRY FOR UNITED STATES. FEA DOES NOT HAVE AUTHORITY TO RELEASE COMPANY-BY-COMPANY DATA WHICH IS ACQUIRED UNDER FEA ACT. USG QUESTIONNAIRE B SUBMISSIONS REFLECTED U.S. TOTALS WITH NO COMPANY BREAKOUT. HUGGINS INFORMED COMPANY DATA SUBMITTED ON QUESTIONNAIRE B BY USG WOULD ONLY REPEAT INFORMATION PROVIDED BY COMPANIES IN QUESTIONNAIRE A. USG RESPONSES TO QUESTIONNAIRE B WILL NOT CONTAIN ANY DATA FOR OVERSEAS AFFILIATES OF U.S. PARENT COMPANIES.

5. TRIGGER CALCULATION:

IAB SUBGROUP PAPER OUTLINED FOUR ALTERNATIVE METHODS TO CALCULATE TRIGGERING OF THE ALLOCATION SYSTEM. IAB SUBGROUP PAPER STATED THAT IEP AGREEMENT MADE ALLOCATION MECHANISM RELATIVELY CLEAR. HOWEVER, METHOD FOR CALCULATING TRIGGER FOR ALLOCATION NOT CLEAR IN IEP. IAB SUBGROUP CONSIDERED ADEQUATE FORWARD CONSUMPTION AND SUPPLY DATA, ALTHOUGH THEORETICALLY IDEAL, TECHNICALLY UNACHIEVABLE. FOUR RECOMMENDED TRIGGER ALTERNATIVES BASED ON HISTORICAL DATA PRESENTED BY IAB WERE:
(1) FOUR QUARTER BASE PERIOD OF IEP, (2) MOST RECENT 12
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MONTHS HISTORICAL DATA, (3) ONE YEAR PERIOD IMMEDIATELY PRECEDING A DISRUPTION -- THREE-QUARTERS HISTORICAL DATA PLUS A MOST RECENT QUARTER ESTIMATE BY GOVERNMENTS -- AND (4) THE MOST RECENT HISTORICAL PERIOD -- AT LEAST THREE MONTHS -- AS THE "NORMAL" PERIOD FOR ASSESSING THE DISRUPTION.
IAB CHOSE FIRST ALTERNATIVE AS BEST.

6. U.S. POSITION

U.S. SHOULD SUPPORT IAB RECOMMENDATION AS WORKABLE, PRACTICAL ALTERNATIVE CONSISTENT WITH DEFINITIONS AND OBJECTIVES OF THE IEP. REVIEW OF BASE PERIOD AS TRIGGER MECHANISM SHOULD BE KEPT OPEN FOR FUTURE CONSIDERATION.

7. NON-EMERGENCY DATA:

THIS DATA WOULD PROVIDE IEA WITH INSIGHT INTO FUTURE SUPPLY AND DEMAND BALANCES. IAB AND AD HOC GROUP ON DATA AND ALLOCATION AGREED THAT FOUR OR FIVE COMPANIES WOULD PROVIDE IEA WITH INDIVIDUAL FORECASTS OF FORWARD

INDUSTRY SUPPLY AND DEMAND, POSSIBLY COVERING FOUR QUARTERS, IEA WOULD PREPARE "CONSENSUS" FORECAST AGGREGATED SO THAT DETAILS OF INDIVIDUAL COMPANY FORECAST COULD NOT BE DETERMINED WHICH WOULD BE ADJUSTED BY THE IEA USING OTHER AVAILABLE FORECASTS, E.G. OECD FORECASTS, FORECASTS BY NATIONAL GOVERNMENTS, ETC. ADJUSTED FORECAST WOULD BE REVIEWED BY IEA, SEQ AND GOVERNING BOARD TO PROVIDE AN AGREED FORECAST. THE AGREED FORECAST WOULD BE THE BASIS WHICH, WHEN COMPARED WITH THE BASE PERIOD CONSUMPTION FIGURES, WOULD DETERMINE THE TRIGGERING OF THE IEP EMERGENCY ALLOCATION PROVISIONS.

8. U.S. POSITION:

IAB APPROACH APPEARS TO BE REASONABLE AND SHOULD BE SUPPORTED. ALTERNATIVE TO BE AVOIDED IS CONTINUANCE OF MONTHLY DATA REPORTING BY COMPANIES WHICH THE SECRETARIAT INITIALLY SUGGESTED WAS REQUIRED.
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9. COMMENTS ON MAY 17 DRAFT OF EMERGENCY HANDBOOK:

LAST AD HOC GROUP ON DATA AND ALLOCATION MEETING AGREED THAT PARTICIPATING COUNTRIES WOULD PROVIDE DETAILED COMMENTS ON SECRETARIAT PAPER WITHIN TEN DAYS.

U.S. POSITION: U.S. INTENDS TO PROVIDE COMMENTS AS REQUESTED.

10. FYI: IAB ON MAY 7-8, DISCUSSED SECRETARIAT PAPER AND RECOMMENDED THAT ALLOCATION UNDER ARTICLE 9.4 SHOULD BE DONE NATIONALLY BY GOVERNMENTS. IAB NOTED THAT CRUDE ALLOCATION BY COMPANY, DE FACTO, MAY RESULT FROM ALLOCATION BETWEEN COUNTRIES IF INTER-COMPANY ALLOCATION IS NECESSARY TO SUPPLY A PARTICIPATING COUNTRY'S ALLOCATION RIGHT. DRAFT HANDBOOK STATED THAT UNDER

CERTAIN CIRCUMSTANCES, IEA WILL DIRECT PARTICIPATING COMPANIES TO TAKE ACTIONS NECESSARY TO MEET IEA COUNTRY OBLIGATIONS. IEA EXECUTIVE DIRECTOR REPORTEDLY SAID THAT IEA DOES NOT HAVE THIS POWER WHICH CAN ONLY RESIDE WITH NATIONAL AUTHORITIES. END FYI.

11. IAB MEETING EXPOSED SIGNIFICANT OPPOSITION FROM IAB FOR "RIGOROUS PRICE MONITORING SYSTEM" WHICH IEA SECRETARIAT NOTED IN HANDBOOK WAS A LOGICAL CONSEQUENCE OF GOVERNING BOARD DECISIONS TAKEN ON PRICE (REFERENCE IEA GB (75) 12, ANNEX 3, PARAGRAPH 8)

12. U.S. POSITION:
ALTHOUGH AD HOC GROUP CHAIRMAN VAN RHIJN'S HAS STRONG FEELINGS ON ACQUIRING PRICE DATA FOR USE BY SEQ,

SDEL SHOULD TAKE POSITION THAT SEQ SHOULD AWAIT SOME PROGRESS ON THE PRICE ISSUE AND TAKE NO FURTHER ACTION IN THE INTERIM. INGERSOLL

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